



**Health Services**  
LOS ANGELES COUNTY

May 24, 2011

**Los Angeles County  
Board of Supervisors**

**Gloria Molina**  
First District

**Mark Ridley-Thomas**  
Second District

**Zev Yaroslavsky**  
Third District

**Don Knabe**  
Fourth District

**Michael D. Antonovich**  
Fifth District

**TO:** Supervisor Michael D. Antonovich, Mayor  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Don Knabe  
Supervisor Zev Yaroslavsky

**FROM:** Mitchell H. Katz, M.D.  
Director

**SUBJECT: NOTICE OF INTENT TO REQUEST DELEGATED  
AUTHORITY TO APPROVE A PERCENTAGE INCREASE  
EXCEEDING 10 PERCENT OF THE TOTAL CONTRACT  
AMOUNT**

**Mitchell H. Katz, M.D.**  
Director

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Chief Deputy Director

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*To ensure access to high-quality, patient-centered, cost-effective health care to Los Angeles County residents through direct services at DHS facilities and through collaboration with community and university partners.*

This is to advise your Board that the Department of Health Services (DHS) is scheduling a Board letter for the June 7, 2011 agenda that requests approval to execute superseding agreements with current Healthy Way LA (HWLA) and Public Private Partnership (PPP) Community Partners, to: (a) implement the Medicaid Coverage Expansion, under the HWLA Matched Program, as part of the State's Low Income Health Program (LIHP) under the new California 1115 Waiver; (b) extend the PPP Program, under the HWLA Unmatched Program, effective July 1, 2011 through June 30, 2012, with an automatic renewal for an eighteen month period through December 31, 2013; and, (c) extend the South Los Angeles Medical Services Preservation funding in Service Planning Area (SPA) 6 for expanded urgent care services, effective July 1, 2011 through June 30, 2012, with automatic renewal through December 31, 2013, or until 90 days after the facility replacing the former Martin Luther King Jr. – Harbor Hospital (MLK-Harbor Hospital) is certified by the federal Centers for Medicare and Medicaid Services (CMS).

In the HWLA Unmatched Program component, DHS is requesting that your Board delegate authority to the Director of Health Services to increase or decrease the maximum obligation of each agreement, beginning with County Fiscal Year 2011-12, up to the original County maximum obligation for each agreement, on a one-time only basis for each Fiscal Year that the agreements are in effect. This would be authority to increase or decrease a maximum obligation by 100 percent.

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In accordance with Board of Supervisors' Policy 5.120, prior Board notice is required for any department requesting delegated authority to increase Board-approved contracts by over 10 percent.

### **BACKGROUND**

On November 2, 2010, the California Department of Health Care Services (CDHCS) and CMS entered into a new 1115 Waiver, commonly known as the California Bridge to Reform, for a five year period, commencing November 1, 2010. This Waiver, also known as a Demonstration Project, provides the framework to move to federal Health Care Reform in 2014. The Waiver will provide health care coverage expansion, continued partial funding of public hospitals' uncompensated costs, new funding for delivery system improvements at public hospitals, and require transition to Medi-Cal Managed Care for Seniors and Persons with Disabilities.

On December 14, 2010, your Board authorized the Director of Health Services, acting on behalf of the County, to participate in the new California 1115 Waiver and its LIHP, and to submit all documents necessary to implement its intent to participate. Your Board also authorized the Director to expand HWLA in accordance with the Waiver's terms. DHS submitted its LIHP application to CDHCS on February 14, 2011 and received initial approval on April 12, 2011.

Since 1996, the County has had agreements with the Community Partners for the PPP Program. In 2008, the HWLA program was created, and although implemented in conjunction with a subset of the PPP contractors, the program has separate agreements. Going forward, we have chosen to combine the PPP and HWLA agreements into a single agreement with two re-named components, HWLA Matched (matched by federal funding) and HWLA Unmatched. The HWLA Community Partner Agreement is a crucial component of meeting the primary care access requirements of the Waiver through the County's Community Partners, formerly known as the Public Private Partners.

Any increase or decrease to the maximum obligation of each agreement under the Unmatched Program, beginning with County Fiscal Year 2011-2012, will be on a one-time only basis for each Fiscal Year that the agreements are in effect, on condition that the Director conducts a Request for Information process prior to each adjustment and on further condition that the related amendment is approved prior to execution by the County's Chief Executive Office and County Counsel.

### **JUSTIFICATION**

Approval of the delegation requested in the Unmatched Program will permit DHS to respond to the individual financial needs of each Community Partner, ensuring that each Partner is able to maximize its allocated funds to the fullest extent possible in each Fiscal Year, and also will permit DHS to ensure that funds across the Unmatched Program also are used to their fullest extent.



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In recent years, DHS has had authority to increase and decrease the maximum obligations by 100%. Originally, the contracts contained a 50% authority cap, which proved insufficient. Through experience with the RFI process, DHS learned that some Partners were able to treat larger numbers of patients than anticipated under the agreement, such that DHS required additional authority, above 50% of the maximum obligations, to move funds and, therefore, allow those Partners to see higher numbers of patients. Allowing adjustments up to 100% provided the latitude for the agreement to accommodate all increased service demands and to do so quickly, in response to each Partner's stated needs.

In the future, the delegation is necessary as neither DHS nor the Community Partners can determine with complete accuracy the service demands that will arise in a Fiscal Year as to a particular service site or a particular category of service. Accordingly, the delegation will permit both DHS and the Community Partner to respond to rapidly changing needs over the course of each Fiscal Year. DHS will ensure that all funding reallocations and transfers are in accordance with the Allocation Methodology as applicable.

#### **NOTIFICATION TIMELINE**

Consistent with the procedures of Board Policy 5.120, we are informing your Board of our intention to proceed with the filing of the Board letter with Executive Office of the Board for the June 7, 2011 Board Meeting.

If you have any questions or need additional information, please let me know, or your staff may contact Kathy Hanks, at (213) 240-7819 or [khanks@dhs.lacounty.gov](mailto:khanks@dhs.lacounty.gov).

MHK:kh

c: Sheila Shima, Deputy Chief Executive Officer